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## MUNICIPAL PAY PLAN REVISION

*What sources of data should be considered for pay plan review? How should salaries be evaluated for city department heads? How should pay recommendations be presented to the city council?*

"During the past 20 months, 24 employees having permanent positions left the city's employ. One died, one was inducted into the armed services, two failed to qualify during the probationary period, but the other 20 were voluntary resignations. Twelve left to receive better pay in other work, and insufficient pay is indirectly the reason for the other eight leaving."

"In 1956, six of our ten public works maintenance men and three of our six garbage collection men resigned during the year for higher-paying jobs. In 1957, none of our public works maintenance men and only one collection man resigned. In 1958, no public works maintenance men and no garbage collection men resigned. Retention of the public works employees during the past two years has no doubt been in part the result of keeping salary and fringe benefits at competitive levels. Turnover of employees is always expensive. Men once trained are more valuable to the village."

These excerpts from 1959 budget messages of managers of two municipalities 2,000 miles apart point up the universal problem of maintaining city pay rates that attract competent employees and serve to keep them once hired. Certainly adequate pay is not the only factor influencing employee morale; working conditions, fringe benefits, and retirement systems are now recognized as important aspects of municipal personnel policy just as in private industry and business. But take-home pay is the foundation on which the other employee benefits rest. Where pay is "out of line" there is bound to be considerable migration from city jobs to better paying ones elsewhere.

Many cities have attempted to recognize the influences of private pay rates on the job market in their respective areas. There has been a tendency to do this through a formal job inventory followed by classification of jobs and the adoption of formal pay plans which put into effect the principle of "equal pay for equal work." Yet, it is clear that the basic pay plan is only part of the solution; equally important is periodic review providing continuing evaluation of private employment practices, inflationary trends, and other factors which, if not met, could result in an abnormally high turnover of municipal personnel.

This report discusses the problems involved in revising municipal pay plans, lists the sources of data which are necessary for revision, and cites the experiences of five cities which recently re-evaluated their pay rates. The cities are Evanston and Glencoe, Illinois, both of which undertook complete revision; Olivette, Missouri, which did a partial survey covering police, firefighter, and attorney salaries; San Diego, California, where formal review machinery has been established by the City Civil Service Commission, and San Luis Obispo, California, which limited its data collection to nearby municipalities.

### A Pay Plan — What Is It?

The impetus for job classification and pay plan revisions in any given city may come from any of several situations. "Guess work, tradition, and habit," may be the predominant factors.



Take the case of a city which makes it a practice to grant flat-rate increases across the board. In the 1940's a well-paid police patrolman may have been making \$2,700 a year and a sergeant, \$3,000. A series of raises over the years may bring the patrolman up to \$4,200 but the sergeant's pay is but \$4,500.<sup>1</sup> The \$300 difference no longer reflects the difference in responsibility between the two classes of positions. In fact, the lack of financial incentive may well mean that qualified men do not seek advancement.

Inequities between jobs of equal responsibility in different departments has also been a prevalent problem. Where no effort has been made to develop a fair and consistent pattern of pay raises, trouble will likely develop sooner or later. As one expert has said, "The trouble usually comes soonest to those jurisdictions which are rapidly increasing in population and where the types and amounts of governmental services are expanding. Employees begin to leave the service for more remunerative positions. There is obvious dissatisfaction among those who, for various reasons, cannot find other employment, or do not wish to do so. Some employees feel that they are not being fairly paid in comparison with others in the jurisdiction. Salary grievances multiply in number and gravity."<sup>2</sup>

A pay plan, based on job inventory and classification, has been the answer in many cities to solve these problems. This usually includes the grouping of all jobs into classes requiring substantially the same duties, responsibilities, and qualifications. At the same time a schedule of pay grades for each class is established. This may provide for pay increments in five or six steps for a person holding a particular job. In many cities advancements in pay steps are granted after minimum time periods, largely on the basis of merit. In other cases, advancement may be made largely on the basis of length of service with the city. Olivette, Missouri, is among the cities which have written both features into their pay plans. Olivette has a six-step pay plan which requires a minimum of three and one-half years to reach the highest rate in each pay grade. It also has a longevity feature, providing that employees are to receive an additional one-half of 1 per cent of base pay for each year of service in excess of four years.

A formal pay plan has advantages: employees can be reasonably certain that the relative worth of their jobs is reflected in the pay they receive; everyone knows the rate of pay for a given job; officials will no longer have to indulge in guesswork when hiring new employees or when considering employees for salary increases; those who are responsible for raising revenues can predict short-run financial requirements for personnel services with much greater accuracy; and a pay plan provides salary rates which are comparable with those in private industry and in other governmental jurisdictions in the area and which are neither so low as to make it impossible to attract and retain competent employees, nor unnecessarily high.<sup>3</sup>

The objectives of Evanston's pay plan have been listed this way: (1) to provide equal pay for positions of substantially equal complexity and responsibility; (2) to provide salary rates which are reasonably comparable to those paid by other governmental jurisdictions and private industry, and which are high enough to attract and retain competent workers without being so high to be wasteful of the tax dollar; (3) to provide orderly and consistent means of rewarding employees for good performance and for adjusting pay rates as economic and other developments require; (4) to make the city of Evanston's pay rates and pay practices an open book that employees, prospective employees, and interested citizens can readily understand; and (5) to simplify and facilitate payroll administration, budgeting, and other phases of financial and personnel administration.<sup>4</sup>

#### Why Revision Is Needed

Perhaps the greatest influence on pay plan revision is "cost of living." Often cities merely adjust their entire pay schedule upward to reflect changes in the federal consumer price index.

<sup>1</sup> The *Municipal Year Book* for 1949 showed that the median maximum salary of police patrolmen in 1948 was \$2,781 for cities of 100,000 to 250,000 population. The corresponding figure in 1958 was \$4,721, according to the 1959 *Municipal Year Book*.

<sup>2</sup> Keith Ocheltree. *How To Prepare a Sound Pay Plan* (Chicago: Public Personnel Association, 1959), p. 1.

<sup>3</sup> Adapted from Ocheltree, *op. cit.*, p. 2.

<sup>4</sup> Bert W. Johnson, city manager, Evanston, in a report to the city council, June 26, 1959, p. 1.



But the rising standard of living makes such simple adjustment subject to question. The Evanston pay plan study of 1959 said:

Essentially, there are two reasons why a municipality should undertake a comprehensive review every four or five years. The first is that its wages may not have kept pace with competing rates even though cost of living adjustments have been made regularly, as they have been by the City of Evanston. This is true because the American Workers' wages historically have increased faster than the cost of living, which is one way of saying that we have a rising standard of living and that the worker has shared in technical progress. . . . The pay ranges for most of our classes have only been raised between 9 per cent and 11 per cent since 1954, and during the same period, the Bureau of Labor Statistics Index on nonagricultural wages in the Chicago metropolitan area indicates that such wages have increased about 25 per cent. This fact alone tends to indicate that it is time to take a good look to see whether we have fallen behind in the market for the particular types of employees the city needs.

The second factor that works to require over-all pay plan review every four or five years is that the market does not treat all jobs alike. Some skills are in short supply, and so the prices of these skills go up faster than the general wage indices. Wages for other positions increased at a rate that just recognizes inflation, and some increased even less.<sup>5</sup>

The two major elements influencing Glencoe's review were described this way:

Paramount among all cost factors is creeping inflation and increasing wage costs in all segments of our economy. Each year inflation as well as wage costs have continued to go up. In addition, the demand of our residents for a steadily improving quality and quantity of municipal services, to match their own improved personal living standards, reflects itself in present and future costs of our village government.<sup>6</sup>

San Diego, California, discussed the interrelationship between supply and demand for employee talent this way:

The city, as a major employer in San Diego, strives to maintain consistent pay relationships among all classes of work in our compensation plan. But we cannot always do so. First of all, an across-the-board raise would not be fair to local businessmen, if the blanket increase would put the city in the position of paying considerably more for any type of work than other progressive San Diego employers. Furthermore, the law of supply and demand, plus the bargaining efforts of organized labor, result in constantly shifting wage relationships.

To illustrate this point: Local salaries for stenographers don't necessarily go up just because a new union contract boosts the scale for electricians. In addition, changes in the cost of living do not have a direct or equal effect on the salaries for all lines of work. There are certain shortage occupations which pay higher than normal because there are more jobs demanding certain skills than there are people able to fill them. Shortage situations, however, never stay the same indefinitely.

So, you see, pay relationships among job families are constantly changing. These facts have accounted in the past for our recommending the holding of certain city salaries and the raising of others.<sup>7</sup>

### How To Review a Pay Plan

There are seven basic steps in developing a pay plan.<sup>8</sup> They are necessary also when revising an existing pay schedule.

1. Conduct a Classification Survey. This probably would not need to be as extensive as one leading to the adoption of the initial classification plan. However, revision offers the opportunity to re-examine the original determination of relationships among various city jobs and to make adjustments where necessary. The situation may require adjustments either on a departmental or occupational group basis. For example, the relationship of pay rates in the police department may be reviewed, or those of all typists. In the use of the latter, closely related jobs such as clerks and stenographers would have to be reviewed also.

2. Conduct a Pay Survey. This involves a review of governmental and private pay rates in

<sup>5</sup> Johnson, *op. cit.*, pp. 4-5.

<sup>6</sup> Robert B. Morris, city manager, Glencoe, 1959-60 *Annual Budget Report Part III*, p. 60.

<sup>7</sup> Mildred Perry Waite, president, San Diego Civil Service Commission, in letter to city employees, April 11, 1958.

<sup>8</sup> Adapted from Ocheltree, *op. cit.*, pp. 6-7.



the area to ascertain the general level of pay in the community. In some cases, data will have to be assembled from outside the area, as in the case of engineers and other professional people whose potential job market is more widespread than say that of a typist's.

3. Make Basic Policy Decisions. Some of these decisions are: the length of pay ranges; the relationship of the jurisdiction's pay scales to the general level of pay in the community; the ability of the jurisdiction to provide for wage increases; and the willingness of the public to have their elected officials establish rates at a given level.

(These decisions probably should be made before the pay survey data is collected, particularly in cities where municipal employees are represented by unions. Union officials should be given an opportunity to present their views at this point, rather than wait until a formally adopted pay program must be translated into specific terms.)

4. Construct the Pay Plan. Relate the data obtained in the job classification and pay surveys to municipal needs, and provide for pay adjustments where indicated.

5. Get Acceptance and Adoption of the Pay Plan. "It is crucial that citizens, administrators, individual employees, and employee groups be convinced that the plan accurately reflects relationships among jobs and provides rates of pay which compare favorably with those paid by other employers in the community. Each of these groups must have its day in court before the plan is finally approved."

6. Install the Pay Plan. Personnel and accounting records must be changed and procedures altered where necessary.

7. Make Provision for Maintaining the Plan. There is no such thing as "the prevailing rate." Salaries and wages are usually changing and rarely remain still for any length of time.

The basic element of pay plan review is the salary and wage survey. Surveys which are national, regional, or state-wide in scope frequently come to the attention of city officials, and the problem is to put the information to effective use locally. Salary and wage surveys of such broad scale usually have limited value as far as the local wage problem is concerned. They provide data that can assist but never control a wage-making decision in a particular city. No one can assert on the basis only of such a survey that a certain salary or even a group of salaries should be changed. An analysis of salaries and wages paid in the area for comparable work supplemented by a broader survey provides a foundation for changes in employees' pay. A national, regional, or state-wide wage survey is rarely more than a barometer, a warning signal, perhaps. It points out variations that may deserve attention, cause a local survey to be started, and eventually lead to local salary changes.

### Sources of Pay Data

National Sources. There are a number of sources for national wage information and trends:

1. International City Managers' Association. The *Municipal Year Book*, published annually in June by ICMA contains municipal personnel data for the preceding year. Tables showing average salaries and distribution by population groups may be used to determine trends in payrolls and certain fringe benefits. This includes the salaries of a number of job classifications such as city attorneys, city clerks, city managers, engineers, finance officers, fire chiefs, health officers, librarians, mayors, city clerks, controllers, auditors, treasurers, public works directors, superintendents of streets, police chiefs, planning directors, personnel officers, park superintendents, recreation directors, superintendents of schools and purchasing agents. Also given are the beginning and maximum salaries of police patrolmen and firefighters by individual cities over 10,000 population. This information is obtained directly from the cities.

The *Municipal Year Book* also provides "Sources of Statistics" in the bibliography following each major section on planning, health, housing, and other municipal functions. These often provide leads to additional data.

2. Public Personnel Association. Twice each year the Public Personnel Association issues



its report, *Pay Rates in the Public Service*. It gives the wage and salary rates for common job classes in from 100 to 150 public jurisdictions, all but a few of which are in the United States. Member public personnel agencies receive the report, issued in January and June, as part of the membership service. Affiliate members, organizations and individuals, may obtain it for \$25 per copy. It is not available to nonmembers. This is probably the most current report on pay practices available.

3. Other Sources. Basic statistical data are provided by the United States Bureau of the Census. Its report on government employment provides employment and payroll statistics for federal, state, and local governments. It provides annual summary reports on employment and payroll data for individual cities and state-by-state statistics on state and local government employment and payrolls by governmental function.

The Census Bureau also issues annual reports on governmental finances. These include figures on personnel service expenditures and finances of retirement systems for public employees. There are annual compendium reports of city and state government finances which include such data for individual cities of over 25,000 and for individual states and their respective employee-retirement systems. The *Monthly Labor Review* of the Department of Labor Statistics, available from the Government Printing Office, lists changes in costs of living in 33 cities, trends of employment and payrolls in 13 metropolitan areas, and provides an index of retail food costs in 51 cities. The Bureau of Labor Statistics' irregular reports on union wages and hours for different types of occupations also should be consulted.

Professional organizations frequently provide data on people working for government. *Park and Recreation Year Book*, published every five years by the National Recreation Association, lists salary information for people in the recreation field. Library, educational, public health, and similar groups issue occasional reports.

State Sources. State municipal leagues often can make data available on pay of various job classifications on a state-wide basis. Several regularly publish pay rates for most of the cities in their respective states. Others do it on an irregular basis. Moreover most state leagues have research staff available to gather such information when requested by a member city. Occasionally, a government research bureau at a state university will collect such data.

State chambers of commerce, manufacturers' groups, and union organizations may be able to supply information about private pay rates of workers in many job classifications on a state-wide basis.

Local Sources. While state and national pay data and trends must be utilized to obtain a full picture, the most influential data will be collected locally.

1. Private Pay Data. Information about salaries paid to employees of private industries and business in the city and surrounding area is vital. If wages paid by a governmental jurisdiction are too much lower than the average for the area, the city will be unable to attract and retain qualified people. And it is generally felt that the government should not pay salaries which are too far above rates common in the area.

The basic source of data of this kind is businesses and industry. Most larger companies frequently are glad to be of help. However, care must be taken so that the final tabulation does not reveal the individual company from which data was obtained. In other words, the sample must be sufficiently large to get a cross-section and should not depend only upon wages paid by one or two or three large employers. Local chambers of commerce and unions also may be able to help by supplying information about pay rates paid by private industry to local people in various job groups.

Industrial wage surveys by management groups, chambers of commerce, labor unions, and individual employers may be important sources of information.

2. Other Local Governments. A survey of pay practices by neighboring governmental jurisdictions is necessary to determine pay practices in the area for purely municipal jobs, such as police and firefighter (although the pay of plant guards and fire inspectors of large local plants may also be a factor).



### Making the Local Survey

In contacting local industry, businesses, and other governmental agencies for pay data, the questionnaire method is frequently used. In some cases the area from which private pay data should be obtained is relatively small, but in a large metropolitan area the suburban government must weigh not only pay practices within its borders but also those in the central city and neighboring municipalities.

In making both the private and local governmental wage surveys, a city might need to know—depending on the circumstances—the length of the work week, the number of employees paid at each rate, the salaries and hourly rates paid, vacations, sick leaves, and any other benefits such as cost of living bonuses. Maintenance allowances, production bonuses, retirement benefits, rest periods, and the work schedule, all might be helpful if these are significant factors in making a comparison.

Sometimes a wage survey is limited to a few basic jobs, such as junior clerk, stenographer, laborer, truck driver, librarian, and the like. Nevertheless, a city with a great many employees and a multitude of different positions must of course resort to a much longer questionnaire, particularly if no published salary and wage information is available. In making the survey, clear and precise job descriptions are vital. Job titles alone may mislead the respondents, for they are quite likely to use the same titles for different types of work. The city with a position classification plan can use job descriptions in that plan if they represent actual responsibilities and duties of the positions covered.

Public officials asked for such information may find that the easiest way to answer the pay questionnaire is to send copies of their pay plan, salary ordinances, or budget schedules. These records given job titles and descriptions, the pay ranges for each job, and sometimes the number of employees paid at each rate. But whatever the method by which information is being gathered, make sure that like things are being compared.

Although the questionnaire method is the basic vehicle for gathering information about local wage rates, the personal interview is an effective supplement, particularly in regard to other than basic skill jobs. It has four advantages for the city which reviews its wage structure frequently:

1. It helps to determine basic likenesses and differences between municipal and private jobs. No matter how well a questionnaire is developed, misconceptions can result. The give-and-take conversation between city and company officials can clarify just how well the job compares. For example, the duties of a corporate billing clerk may be quite different from those of a water department billing clerk, although the job descriptions would leave the impression they are similar.
2. Interviews provide an opportunity to determine those jobs which are most like city jobs, thus establishing a more-or-less permanent basic comparison. The city gets to know the employer, and each subsequent survey becomes more accurate because the city is able to establish a list of firms to trade data with.
3. It provides an opportunity for the city wage administrator to meet his industrial counterpart. By this means the former may be able to get a feeling of wage trends in the community.
4. The city will frequently be asked to participate in surveys conducted by others, as a result of the contacts made. The personal interview lets the private employer know that the city has similar problems.

No attempt should be made to cover *all* municipal job classifications and their private counterparts. One reason lies in basic differences between government and business operations. Only a relatively small number of basic jobs are comparable, and typically among these are: unskilled laborers; skilled tradesmen; nursing personnel; beginning level clerks, typists, stenographers, and secretaries; accounting clerks; beginning level accountants and engineers; elevator and switchboard operators; office-machine operators; storekeepers; custodial workers; and automotive equipment operators.

Rarely should an attempt be made to compare administrative jobs between government and private industry. The training and motivation of the men entering either field differ, especially at



the higher administrative level. Furthermore, governments generally are not able to compete effectively on the basis of salary with private industry for many higher-level employees.

Similarly, the comparison of posts in one municipality with those of the same titles in another may be misleading. The director of public works in one city may be in charge of many more people and operate with a larger budget than one in another city of comparable size.

Many factors affect the total job market, or the market for particular skills. For example, fluctuations in employment levels caused by the closing of a nearby military base or the establishment of a new industrial plant can have widespread effect on the availability of new employees. In an area of high building activity, carpenters may be in great demand. "One of the first signs that the market for a particular class has changed may be an unusually high rate of turnover for positions in the class. This phenomenon will, of course, be accompanied by difficulty in recruiting replacements at the established minimum for the class."<sup>9</sup>

However, a municipality should make the most of its advantages. Some weight should be given when determining pay rates to the year-round employment offered in certain jobs whose wage rates in private industry are based on the assumption that the employee works only part of the year.

### Evaluating Pay Data

Here is what several cities did with the data obtained from their surveys:

Evanston, Illinois. Primary reliance was placed on a tabulation of pay rates for 14 Chicago suburbs and a survey of pay rates of Evanston's larger employers made by an Evanston Chamber of Commerce group. But other studies were used, including the Illinois Municipal League salary study for 1959, the occupational wage survey for the Chicago area prepared by the United States Department of Labor, the Public Personnel Association pay rate studies for the nation, the national survey of pay rates for recreational personnel prepared by the city of Cincinnati, and a water department personnel wage survey prepared by Cedar Rapids, Iowa. (All of these were based on 1958 or 1959 data.) Also available were 1959 budgets and pay plans of Oak Park, Winnetka, Park Ridge, Chicago, Wilmette, and Glencoe, Illinois, which "were valuable because they contained pay rates not shown in the 14-suburb survey." In the report to the city council City Manager Bert W. Johnson said:

"In analyzing the pay data obtained from the various surveys . . . , we have used the fairly standard technique of calculating first quartiles, medians, and third quartiles.<sup>10</sup> These statistical measurements are of primary interest because we concur in the widely used guide that the maximum rate offered by an employer for any position should be reasonably related to the market's third quartile, and that the minimum or hiring rate should be related to the first quartile. In determining whether our present pay ranges are competitive, we have endeavored to provide a maximum rate for each class that is at least equal to the third quartile salary offered by Chicago suburban municipalities and by Evanston private employers, and have also endeavored to provide top rates that are at least close to the third quartiles offered by private Chicago employers.

"Attention has also been paid to the top rates offered by other suburbs and Evanston employers, but we feel that it usually is neither practicable nor necessary to equal those top rates because public resources are limited and, in some cases, top rates have limited meaning because they pertain to a single employee whose particular duties or work situation differs markedly from those associated with the Evanston counterpart job.

"When our pay plan was first formulated, and now again as we prepared the recommended revision, the clerical, labor, firefighter, patrolman, and other 'key classes' were first assigned to pay ranges. These key classes are assigned first because their rates tend to establish the base of the plan, because pay data for fully comparable positions are readily available, and because these classes cover our largest groups of employees and therefore deserve early and careful study. Just

<sup>9</sup> Ocheltree, *op. cit.*, p. 37.

<sup>10</sup> When the salaries are arranged in order of increasing size, the first quartile is the level below which one-quarter of the salaries fall, the median is the point at which they are equally divided, and the third quartile is the level below which three-quarters of the salaries fall.



as it is necessary to generally establish the base of the plan, it is also necessary to determine early about what the ranges of salaries for department heads must be so as to generally establish the upper limits of each departmental series.

".... The allocation of a key class to pay range is ordinarily a fairly straightforward matter because good pay data exist, and the same is true of some of the other classes in which there is only one or two employees. For most classes, however, quite a lot of discretion must be exercised.

"Even where there is good pay data for comparable positions, the job's range cannot always be equated with the market because this would result in untenable relationships between the employees in that class and their supervisors or the people they supervise. There are also cases where Evanston positions differ significantly from their counterparts in other jurisdictions, and so a discretionary adjustment is required. In making these decisions, a continuous effort is made to think in terms of the job rather than in terms of one or more of the individuals occupying the class. The general principle is that the characteristics of the job establish the range and that the employee's performance determines how high he progresses in that range and whether he is to be eligible for promotion. However, in deciding a close decision as to whether a single-man class should be assigned to pay range 23 or pay range 24, the benefit of the doubt goes with a superior employee and against a mediocre one.

"What the above paragraph says, in part, is that pay data [analysis] is only one consideration in assigning classes to pay ranges, and that organizational relationships and other factors are often of equal or greater importance. Factors which the market takes into account in establishing pay rates and which we continuously think in terms of as we allocate classes to pay ranges are: (1) the nature and complexity of the work; (2) the nature and degree of supervision received; (3) the nature of supervision exercised, if any; (4) the knowledge, skills, and abilities required to satisfactorily perform the work; (5) the training and experience required at time of recruitment; (6) the nature of public contacts involved in the work; and (7) any special working conditions related to the work.

"In the process of pay plan revision, we have also studied the fringe benefits offered by competing employers where such information was readily available. It is not realistic or even entirely possible to arithmetically adjust wages offered by competing employers in recognition of the levels of the fringe benefit packages they offer, but some scrutiny of fringe benefits is necessary so as to assure that the City of Evanston's fringe benefits are reasonably competitive and attractive. That our total package is attractive cannot be seriously questioned, although it is easy to point out particular fringe benefits offered by other employers that are more attractive, and although there are a number of Evanston's major employers who offer some form of profit-sharing, a type of fringe benefit not offerable by government. In all of our comparisons with salaries offered by other Illinois cities, we have borne in mind that our fringe benefit package is more attractive than many because of the city's medical insurance contribution...."<sup>11</sup>

Glencoe, Illinois. The salary revision study by Village Manager Robert B. Morris contained seven elements: (1) salaries paid for comparable positions in five nearby municipalities in the northwest Chicago metropolitan area; (2) salaries paid for comparable positions in private business in the Chicago area; (3) cost-of-living data; (4) general economic conditions; (5) village employee turnover rate; (6) calibre of village employees, with particular regard for exceptional merit; and (7) morale of employees.

1. The survey of salaries of nearby communities also included consideration of fringe benefits and noted the wage increases granted in the past year.

2. Data were obtained from 17 of Evanston's major employers with a total of 6,500 employees and covered 1,087 of these employees who hold jobs similar to 16 municipal jobs. (Glencoe is a residential suburb, while adjacent Evanston has mixed educational, industrial, and business employment.)

3. Cost-of-living increases during the preceding year were found to be 1.1 per cent in the Chicago area. "Certainly if cost-of-living were the only factor to be considered, there would be little or no justification for any salary adjustments this year," the report noted.

<sup>11</sup> Johnson, *op. cit.*



4. Economic conditions were found to be away from a "recession" economy toward a "healthy though perhaps inflationary," economy.

5. Village turnover was found to be low particularly since pay adjustments in previous years seemed to be paying off in a drop in turnover.

6. Glencoe employee calibre was found to be high, with fringe benefits — particularly in retirement and disability coverage — credited with enabling the community to "retain its sound competitive position."

7. Morale also was found to be high. "In years past, the village has provided its employees with good salaries, good fringe benefits, good working conditions, and an employee personnel program that has proved satisfactory both to the employees and to the village."

In the end, Glencoe raised the total amount of the payroll by \$1,410 a month, or 4.2 per cent. This did not mean that all employees received this pay increase, since the basis for salary adjustments was merit and not across-the-board or flat-rate.

San Luis Obispo, California. A survey was conducted of salaries being paid in the cities of Salinas, Monterey, Santa Maria, Santa Barbara, Oxnard, and Ventura. Findings were compiled, analyzed, and presented to the city council.

"In general the new pay plan calls for a 4 per cent increase in all salary ranges with a 9.7 jump for the classifications of supervising design engineer, civil engineering associate, police lieutenant, assistant building inspector, equipment operator-foremen, senior librarian, junior librarian, and fire marshal.

"If the council approves the new pay plan," Administrative Officer Richard D. Miller said in his budget message, "I am confident it will give us an internally consistent pay schedule and will keep us in line with other cities of comparable size, geographic location, and other characteristics.... Speaking on behalf of the employees and department heads of the city, I am grateful for the manner in which the city council has responded to our salary recommendations during the past several years and the results have been evident in drastically reduced rates of turnover, improved morale, increased work output, and attraction of many outstanding new employees."

San Diego, California. The San Diego Civil Service Commission explained its procedures used in a 1958 study and revision of the pay plan by means of a letter to employees. Here there was a definite problem of communication, employees having had little understanding of how pay proposals were arrived at. The letter said:

"In recommending city salaries for the types of work commonly found in business, we are guided by the range of salaries paid locally for basic jobs in each of several occupational groups which we call job families. By 'basic jobs' we mean those common jobs which are easy to identify as being the same as comparable city classifications of work. Intermediate Stenographer and Heavy Laborer are good examples. Notice that we said we are *guided* by the local survey, not *governed* by it. Many other facts, such as recruiting, turnover, established pay relationships, and economic trends must be taken into consideration. Nevertheless, it is true that city salaries compare favorably with the best paid in San Diego.

"If you are classified in one of the basic jobs shown in the attached tabulation of local survey results, you can see that — even if you might not receive a base-pay raise next July — there are quite a few jobs like yours paying less in private industry, and not too many paying more than the top city salary for your type of work.

"Of course, if you are a carpenter or an electrician (for example) you will know that the construction pay scales of the Associated General Contractors are higher than most of the salaries shown in the survey figures. The construction industry, however, typically does not offer full-time permanent work and job security. Neither is there a full range of fringe benefits. Therefore, construction work can not be considered comparable to city employment. The survey does include, however, all salaries (union and nonunion) found in the 128 firms offering permanent employment which we visited to collect salary data. As usual each year, every large employer in San Diego was



visited, plus dozens of small firms — all to get a representative sample of pay in all lines of permanent employment in local business.

"Salaries for positions in the same job family above these key jobs are based on established differences in responsibility, skill, and authority. If, for example, Intermediate Stenographers get a raise, Secretary Stenographers would get a raise, unless other important considerations would prevent it. Each job and job family is given separate and careful salary consideration. We do not believe in blanket (across-the-board) increases, unless the move can be thoroughly supported by economic facts. On the other hand, we try to avoid breaking established city pay interrelationships. . . ."

"To recommend salaries for government-type jobs such as librarians and firemen (and for jobs like civil engineers, when we cannot find enough local business counterparts), we look for guidance in the *pay ranking* practices of the 'Big Five' public employers in California — the City-County of San Francisco, the cities of Los Angeles, Long Beach, and Oakland, and the State of California. We also collect separate federal salary data from the Eleventh Naval District. Here, as in our community survey, we deal only with basic jobs — usually at the entrance or the journeyman level — and not with supervisory jobs. The reason is that no two businesses or agencies are organized the same, therefore supervisors have widely varied responsibilities. It is not possible to match these upper-level jobs with accuracy.

"Notice that we said we look for guidance in the *pay-ranking* practices of the 'Big Five.' We do not match out-of-town salaries for firemen, for example. To do so would give our firemen preferential salary treatment. Most salaries in other cities usually are somewhat higher than in San Diego. In fairness to other city employees, we must relate pay for firemen to the general level of our own city salaries, which are in turn based primarily on our local labor market. This is the way we check pay-ranking: (1) we choose a common group of basic jobs in each of the Big Five agencies, (2) we average the salaries paid to this group in each agency, (3) we compare the salary paid firemen (for example) to the group-average salary in each agency. This gives us, in percentage figures, the *pay-ranking* practice for firemen (and others) in each agency. This method allows us to base all city salaries on a common policy. Sometimes, of course, we must match, dollar-for-dollar, the pay offered by other agencies for shortage occupations.

"While all of the salary information is being collected and analyzed, we are working closely with the City Manager and independent department heads in considering all of the salary suggestions made by department heads and employees. We consult constantly with the County Civil Service Commission and the Board of Education. Our objective is threefold: (1) to compare favorably — in salary and fringe benefits — with other progressive San Diego employers who offer permanent employment, (2) to establish equal pay (and benefits) for equal work throughout all city departments, (3) to equalize pay and benefits in our three local public agencies. Occasionally, internal-relationship problems within the city, county, or the city schools make complete pay-matching impossible. But the vast majority of comparable basic jobs are paid the same."<sup>12</sup>

Olivette, Missouri. Sixteen cities in Saint Louis County were surveyed by City Manager J. Eldon Mariott to determine salaries and fringe benefits furnished fire and police personnel and salaries of city attorneys. Other information obtained in the survey included size of the municipalities, per capita assessed valuations, size of departmental budgets, and the number of employees supervised by each department head.

The fringe benefit survey report did not attempt to tabulate five types of benefits: uniform allowance, paid vacation time, city-paid insurance, paid holidays, and paid sick leave. The uniform, vacation, and insurance benefits were found to be so common as not to be factors in comparison. The extreme disparity in the sick leave and holiday pay among the cities precluded comparison. Since the Olivette survey was restricted to police, fire, and attorney salaries, no attempt was made to assess private employment practices.

Olivette found that while its entrance rates were in line with the average minimum of the other cities, its maximum salary was about \$25 per month less than the average. The report also

<sup>12</sup>Waite, *op. cit.*



commented: "Per capita assessed valuations were obtained as this is quite an important gauge of the municipality's ability to pay, although it definitely is not the only one."

### Executive Salaries

Salaries of department heads and top level professional executives may be treated somewhat different from salaries for other employees. There are several reasons for this, but perhaps the most important is the difficulty in obtaining highly-trained people without some flexibility in negotiating pay rates.

Unlike establishment of pay salaries for firefighters and patrolmen, the setting of salaries for supervisory personnel is a vastly more complex and inexact procedure. Here we are not comparing like things with like things — the qualifications, duties and responsibilities of a supervisor in a given city are seldom the same as those of a supervisor with a like-title in a different city.

In a given geographical area, a small city's supervisor, whatever his position, who supervises a few people and administers a small budget, should not expect compensation equal to that of a supervisor in a like-position in a larger city who supervises a great number of people and administers a large budget.

There is, of course, another side of the coin. If a city is to hire and retain well-qualified, conscientious personnel at any level, it must expect to pay a competitive wage. Higher salary levels naturally tend to attract and, what is more important, hold employees that are far superior to employees of low-paying jurisdictions.

A uniform general salary level should be set by the municipality's governing body — in our case the city council. . . . Some of the factors that should be considered in the determination of salaries for municipal supervisory personnel are: (1) population of municipality; (2) number of employees supervised; (3) size of budget administered; (4) supervisor's compensation in relation to superior's compensation; (5) municipality's ability to pay; (6) availability of qualified persons; and (7) economic condition of the area.<sup>13</sup>

The typical council-manager city does not include the city manager in its basic pay plan. Similarly, other top level personnel such as department heads have their salaries fixed directly by city council. But whether there is a formal executive pay plan or not, the problem of relating responsibility to pay still exists.

A 1957 ICMA study came to this conclusion:

In council-manager cities there is a remarkably regular relationship between the salary of the city manager and that of the three department heads on the top rungs of the salary ladder. The highest paid department head receives three-fourths, the second highest paid gets two-thirds, and the third highest paid earns three-fifths of the city manager salary. The lowest paid department head, receives on the average, one-half of the salary of the manager.

Within individual population groups, the general pattern is followed closely except in the case of the lowest paid department head. The variation in those cases probably is due to the practice in smaller cities of designating certain officers as department heads who in other cities would be called division or bureau chiefs.

Paraphrasing a report on private executive compensation, the ICMA study continued:

The highest paid department head, who can be compared with the number two executive in business, receives 75 per cent of the manager's salary; his business counterpart, 76 per cent of the chief executive's salary. The number 3 business executive receives 59 per cent, and in city government the figure is 66 per cent. The number 4 executive in private business is paid 52 per cent of the chief executive's salary and the third highest paid department head in a city receives, on the average, 61 per cent.

There are perhaps two primary reasons for the discrepancy between private business and municipal employment in the case of the second and third highest paid department heads as compared to their business counterparts. There can be no doubt that the average salary of municipal department heads is very substantially below that of their opposite numbers in private business. Because the salaries are low, the range between the lowest and the highest paid department heads in salaries is necessarily small. With the higher income scale in private business the variations between officers can be more clearly defined through salary differentials.

<sup>13</sup> J. Eldon Mariott, city manager, Olivette, Missouri, *City Salary Study*, 1959, pp. 4-5.



Payment of a salary equal to or greater than that of the chief executive is unknown in private business. This is not true, however, in municipal management. In 30 cities one or more department heads receive as much as or more than the city manager and the manager salaries in these cities average approximately \$1,500 less than the average salary for all managers covered in this survey. In those 30 cities, 34 department heads receive as much or more salary than the manager, and most of the 34 have the title of city engineer, public works director, or utilities director.<sup>14</sup>

Two Rivers, Wisconsin. The executive pay plan of this municipality is essentially as follows:<sup>15</sup>

1. The seven top municipal executives were removed from the city's classification and pay plan. They included the fire chief, police chief, recreation director, finance director, utilities director, public works director, and hospital administrator.

2. Broad general ranges were established for each position based upon pay for similar positions in other cities and executive pay by private industries. The purpose was to provide adequate incentive for executive development and career development with the city.

3. The actual ranges provided increases of from \$600 to \$2,000 at the maximum salaries for those positions.

4. The actual pay was to be determined by a conference between the executive and the city manager annually, based solely on merit and performance. City council broadly reviews these salaries in its budget deliberations.

5. These executives will not receive cost of living and other over-all adjustments in pay received by other employees, but the ranges for these executive positions will be reviewed to see that they meet the objectives of the separate plan.

Former City Manager John E. Dever, now at Decatur, Illinois, told ICMA at the time: "I believe it is something new that may be the answer to developing the team of top executives whose efforts can be recognized monetarily even in public employment. Our department heads and city council look forward to its long run prospective effect of building real professional careers and high-level service even in a small city."

Syracuse, New York. An executive salary plan went into effect early in 1957 as part of general revisions of the city's job classification and pay plan. Sigfrid Pearson, then of the city's bureau of municipal research, described it as follows in *Public Management*.<sup>16</sup>

The Bureau of Municipal Research had initiated, in 1953, a study of executive salaries in cities throughout the nation in the 175,000 to 275,000 population range and, based on its findings, had proposed an executive salary plan which was adopted in 1955. With a revised employee salary plan being adopted in 1956, it was found that in many cases the new salaries would place subordinates at the same or at higher salaries than the departmental executives.

Accordingly, a revised executive salary plan was also adopted. Department heads and their first deputies received annual increases of \$833 and \$666 respectively or went to the new minimum. Since these new increases would place some of the executives between steps of the new scale, the revised plan provided for these executives to advance to their proper steps in 1958. Annual salaries for the new executive plan are as follows:

Grade I Executives. Salary steps and increments — \$11,000 (\$833), \$11,833 (\$833), \$12,668 (\$834), and \$13,000. Includes positions of city engineer, corporation counsel, commissioner of finance, commissioner of health, commissioner of parks, commissioner of public works, director of urban renewal, and secretary to the city planning commission.

Grade IA Executives. Salary steps and increments — \$8,500 (\$666), \$9,166 (\$667), \$9,833 (\$677) and \$10,500. Includes positions of assistant director of city planning, deputy commissioner of health, deputy commissioner of public works, deputy director of urban renewal, first assistant corporation counsel, first deputy city engineer, first deputy commissioner of finance, and first deputy commissioner of parks.

<sup>14</sup> *Trends in Salaries of City Managers* (Chicago: International City Managers' Association, 1957), pp. 18-19.

<sup>15</sup> *Public Management*, October, 1958, p. 246.

<sup>16</sup> *Public Management*, July, 1957, p. 155.



Grade II Executives. Salary steps and increments — \$9,000 (\$833), \$9,833 (\$833), \$10,666 (\$834), and \$11,500. Includes positions of chief of fire, chief of police, city clerks, city traffic engineer, commissioner of assessment, commissioner of contract and purchase, and director of municipal research.

Grade IIA Executives. Salary steps and increments — \$7,000 (\$666), \$7,666 (\$667), \$8,333 (\$667), and \$9,000. Includes positions of deputy city clerk, deputy city traffic engineer, deputy commissioner of contract and purchase, deputy director of municipal research, first deputy chief of fire, first deputy chief of police, fire deputy city auditor, and first deputy commissioner of assessment.

(Salaries of the mayor, who is Syracuse's chief executive officer, and the city councilmen were also revised on the basis of a survey of practices of 41 other cities of comparable size.)

### Informing Council, Employees, and the Public

Nothing is as likely to touch off wild rumors in local governmental buildings as pay plan revision. The San Diego Civil Service Commission issued its letter directly to employees because "public oral explanations, even when backed by printed supporting material, did not accomplish our objective. For three years the Commission subjected itself to the irresponsible public orations of employee representatives. Last year, the Commission decided it had had enough. . . . By long established precedent, the commission will still hold a public discussion of our printed tentative salary recommendations which will be officially presented to the council and department heads and employee representatives prior to this public discussion. The council, in turn, will hold its legally required public hearing on the Commission's proposal a week later. At that time, the Commission makes any last minute amendments to the tentative salary proposal."<sup>17</sup>

Acceptance by council, employees, and the public is vital. Therefore, wide publicity should be given not only to the effect of the pay plan revision but also to the methods in the revision and the findings of the wage survey. Emphasis should be placed on the relationship of municipal pay rates to those in private industry. Where there is considerable disparity, the reasons for this disparity or the compensating features of municipal employment (such as fringe benefits, year-round employment, less susceptibility to economic downswings, and so on) should be made clear to the employees. The need of adequate, but not excessive, salaries for recruitment of competent personnel should be a point covered by the continuing public relations activity of local government.

The logical means to stress these relationships is the report on pay plan revision submitted to the city council. This should show all of the possible alternatives, considerations which led to the rejection of specific points, and positive statements as to why the recommendations are proposed.

Many cities issue employee manuals or handbooks which devote a number of pages to the city's pay plan and its associated fringe benefits. In this permanent form the information is available for ready reference by the employee. This is a practice which long has been followed by progressive private employers.

A few cities issue separate publications devoted to pay programs. One of these is Tacoma, Washington, where a high proportion of its employees are members of employee organizations. Its compensation plan goes into great detail about working rules and regulations related to pay, working conditions, fringe benefits, and other conditions of employment.

In Glencoe, the manager's budget message showed how the recommended salary increases would affect each individual on its 78-name payroll. Where there was a pay increase which appeared somewhat larger than the average, there was also an explanation of the considerations which led to the merit pay increases.

### Conclusions

Adequate pay reflecting basic needs of the employee and recognition of skills are vital if a city is to recruit and retain qualified personnel. A formal pay plan, providing equal pay for equal work should be set up, but it should also be reviewed periodically and systematically, both to make needed

<sup>17</sup> Raymond Krah, former personnel director, San Diego Civil Service Commission, in letter to ICMA, April, 1958.



internal adjustments in the relationship between pay grades and to determine the effect of inflation and shifting job markets.

A number of the review steps are the same as those required for the initial establishment of the pay plan. The more important among these are making a pay survey and obtaining employee and public acceptance of the changes.

The pay survey involves collection of data on pay practices in the municipality, its surrounding metropolitan area, and, in cases of special skills and professions, on a regional or nation-wide basis. Data obtained from national and state sources should be used for guidance, rather than to determine specific pay rates. The local pay survey is of primary importance.

The survey of private pay rates should include a sufficiently large sample as to be representative. While basic information may be obtained on many basic job classifications, caution should be exercised in attempting to compare special skills used by a municipality and those used by private industry. Top management recruiting and retention also offers special problems. Information must be obtained from other nearby municipalities to determine pay practices of local government on purely governmental jobs.

Pay practice data must be evaluated carefully, in light of local and national trends, conditions, and circumstances. In some cases it may be clear that in order to compete for certain skills the city must pay the same amount as private business, on the average. However, in many cases, city employment offers benefits that may not be obtained from private employment. The total picture must be studied.

One of the most difficult problems is to bring together indicated pay rates with the municipal job classification structure. Unusual situations, degree of union organization, and job market conditions may result in higher pay rates for truck drivers and stenographers, for example, than would seem to be indicated by the relative value of the jobs to the city, based on education, skills, and other requirements.

When completed, the pay plan revisions should be presented to council, employees, and the public in such a manner that the effects can be quickly and easily understood. How the revised pay plan was established, the methods used, and what the survey shows should be made public.

*Note.* This report was prepared by Ned L. Wall, staff member, the International City Managers' Association.







